

Message Text

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21-20

ACTION EA-14

INFO OCT-01 ISO-00 DRC-01 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PM-07

H-03 L-03 NSC-10 PA-04 PRS-01 SS-20 USIA-15 ACDA-19

IO-14 /188 W

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R 211206Z NOV 73

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 6714

C O N F I D E N T I A L VIENTIANE 7929

E.O. 11652: GDS

SUBJECT: LAOS ECONOMIC SITUATION CY 74

SUMMARY: USAID DIRECTOR AND I BRIEFED PRIME MINISTER AND MINISTER OF FINANCE ABOUT OUR CONCERN ON THE LAO ECONOMIC SITUATION IN CY 74 AND ITS EFFECT ON THE STABILIZATION PROGRAM. END SUMMARY.

1. USAID DIRECTOR AND I CALLED ON PRIME MINISTER SOUVANNA PHOUMA 1100 HOURS NOV 21 TO BRIEF HIM ON THE ECONOMIC SITUATION IN GENERAL AND OUR CONCERN ABOUT THE ECONOMIC SITUATION CY 74 AND ITS EFFECT ON THE STABILIZATION PROGRAM IN CY 74. MINFIN SISOUK ALSO PRESENT. THE GIST OF OUR PRESENTATION WAS THAT IN FY 75 THE RLG HAS TO BE PREPARED TO INCLUDE IN ITS BUDGET THE EQUIVALENT OF APPROXIMATELY ONE MILLION DOLLARS IN KIP TO BEGIN ABSORBING NORMAL GOVERNMENTAL EXPENDITURES PRESENTLY PAID BY USAID AND OTHER USG AGENCIES OPERATING IN LAOS. OUR PROJECTIONS INDICATE THAT BUDGET DEFICIT IN FY 75 MAY BE SUBSTANTIALLY HIGHER THAN IN FY 74. AS A RESULT, AND IN VIEW OF END OF DIRECT FUNDING OF FORMER
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LIF'S PARTIALLY OFFSET BY 100 PERCENT STERILIZATION

US STABILIZATION CONTRIBUTION THERE MAY WELL BE A SHORTFALL OF ABOUT 10.0 MILLION DOLLARS IN THE CY 74 FOREIGN EXCHANGE OPERATIONS FUND UNLESS APPROPRIATE MEASURES ARE TAKEN, INCLUDING INCREASE IN OTHER DONOR CONTRIBUTIONS TO MAKE UP SHORTFALL.

2. PRIME MINISTER SOUVANNA PHOUMA AND MINFIN SISOUK LISTENED ATTENTIVELY TO OUR BRIEFING. THE PRIME MINISTER STATED HE EXPECTS CONSIDERABLE INCREASE OF FEOF CONTRIBUTIONS FROM OTHER DONOR COUNTRIES AND IMPLIED AFTER FORMATION OF PGNU, HE WOULD REQUEST USSR AND PRC TO MAKE ADDITIONAL CONTRIBUTION TO RLG TO DEFRAY COSTS OF PATHET LAO IN GOVERNMENT. HE FURTHER STATED THAT EXPECTED INCREASES IN RLG FOREIGN EXCHANGE EARNINGS SHOULD MAKE IT POSSIBLE TO AUGMENT THE RLG CONTRIBUTION SUBSTANTIALLY.

3. WE USED A SERIES OF CHARTS WITH EXPLANATORY TEXT WHICH WE SHALL POUCH TO DEPT/AID/W.

4. A WORKING LUNCH HAS BEEN ARRANGED ON NOV 26 WITH OTHER DONOR COUNTRY AMBASSADORS AND ECONOMIC OFFICERS WHERE WE SHALL GIVE THEM A SIMILAR BRIEFING.

5. IN ANTICIPATION OF FORTHCOMING IMF VISIT, WE SHALL ALSO CONTINUE TO COORDINATE WITH THE RESIDENT IMF REPRESENTATIVE AND MAKE THE INFORMATION FURNISHED TO THE PRIME MINISTER AND MINFIN AVAILABLE TO HIM.
WHITEHOUSE

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Message Attributes

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